

# Financial Results for the First Six Months of Fiscal Year Ending March 2013

<u>I Summary Information</u>	P.1
<u>II Financial Results for the First Six Months of FY2012</u>	P.2
① Non-consolidated Statement of Income	P.2
② Sales of Products and Priority Categories	P.4
③ Non-consolidated Balance Sheet	P.5
④ Non-consolidated Statement of Cash Flows	P.6
⑤ Capital Expenditures	P.7
⑥ Depreciation/Amortization	P.7
⑦ Research and Development	P.7
<u>III Financial Forecasts for the FY2012</u>	P.8
① Non-consolidated Statement of Income	P.8
② Sales of Products and Priority Categories	P.10
③ Capital Expenditures	P.11
④ Depreciation/Amortization	P.11
⑤ Dividends	P.11
【Important notes on forward-looking statement】	P.11

- ※ This material is prepared based on Japan GAAP.
- ※ Amounts are rounded down to the nearest million yen.

October 29 2012



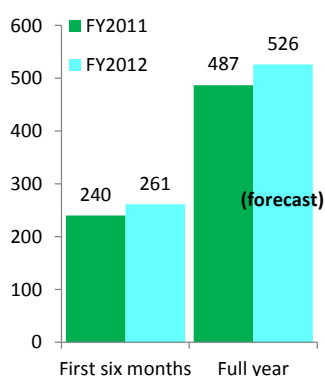
TORII PHARMACEUTICAL CO., LTD.

# I Summary Information

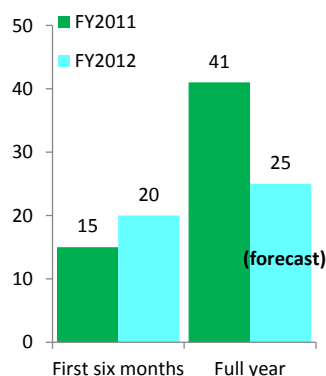
## ① Financial Results

(Millions of Yen)	FY2011		FY2012		Change B-A	Change (%) (B-A)/A	FY2011 Full year	FY2012 Full year revised forecast	Progress ratio (%) B/C
	First six months A	First six months B	First six months A	First six months B					
Net sales	24,025	26,158	24,025	26,158	2,132	8.9	48,717	52,600	49.7
Operating income	1,556	2,087	1,556	2,087	531	34.2	4,153	2,500	83.5
Ordinary income	1,652	2,239	1,652	2,239	587	35.6	4,338	2,700	82.9
Net income	959	1,283	959	1,283	324	33.8	2,611	1,500	85.6
(Reference)									
R&D expenses	2,761	3,686	2,761	3,686	924	33.5	4,631	8,010	46.0
Earnings per share (EPS) (¥)	33.90	45.36	33.90	45.36	11.46		92.27	53.00	
Return on equity (ROE) (%)	1.3	1.7	1.3	1.7	0.4		3.5	—	
Ratio of ordinary income to total assets (%)	1.9	2.5	1.9	2.5	0.6		5.0	—	
Ratio of operating income to net sales (%)	6.5	8.0	6.5	8.0	1.5		8.5	—	
Return on assets (ROA) (%)	1.1	1.4	1.1	1.4	0.3		3.0	—	

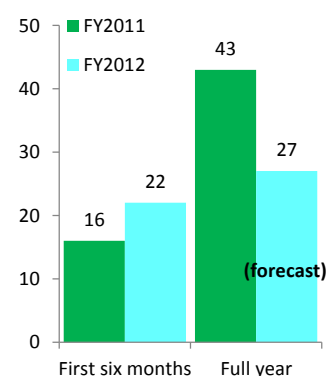
Net sales (0.1 billion yen)



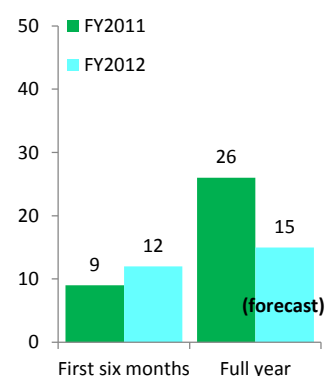
Operating income (0.1 billion yen)



Ordinary income (0.1 billion yen)



Net income (0.1 billion yen)



## ② Financial Conditions

(Millions of Yen)	March 31, 2012		September 30, 2012		Change B-A	Change (%) (B-A)/A
	A	B	A	B		
Total assets	87,734	89,871	87,734	89,871	2,136	2.4
Total equity	75,832	76,569	75,832	76,569	737	1.0
Equity ratio (%)	86.4	85.2	86.4	85.2	△1.2	
Book value per share (BPS) (¥)	2,679.48	2,705.54	2,679.48	2,705.54	26.06	

## II Financial Results for the First Six Months of FY2012

### ① Non-consolidated Statement of Income

(Millions of Yen)	FY2011	FY2012	Change B-A	Change (%) (B-A)/A
	First six months A	First six months B		
Net sales	24,025	26,158	2,132	8.9
Sales of products ※	23,911	26,044	2,133	8.9
HIV	4,981	5,923	942	18.9
Renal disease and hemodialysis	5,304	6,854	1,549	29.2
Skin disease	5,763	5,995	231	4.0
Other	7,861	7,271	△590	△7.5
Rent income of real estate	114	114	△0	△0.2
Cost of sales	9,958	11,202	1,244	12.5
Cost of products sold	9,925	11,172	1,246	12.6
Cost of real estate rent	32	30	△1	△5.9
Gross profit	14,067	14,956	888	6.3
Selling, general and administrative expenses	12,511	12,868	357	2.9
R&D expenses	2,761	3,686	924	33.5
Other	9,749	9,182	△567	△5.8
Operating income	1,556	2,087	531	34.2
Non-operating income	97	155	57	—
Non-operating expenses	1	3	1	—
Ordinary income	1,652	2,239	587	35.6
Extraordinary income	14	—	△14	—
Extraordinary loss	62	28	△33	—
Income before income taxes	1,604	2,211	606	37.8
Income taxes	644	927	282	43.8
Net income	959	1,283	324	33.8

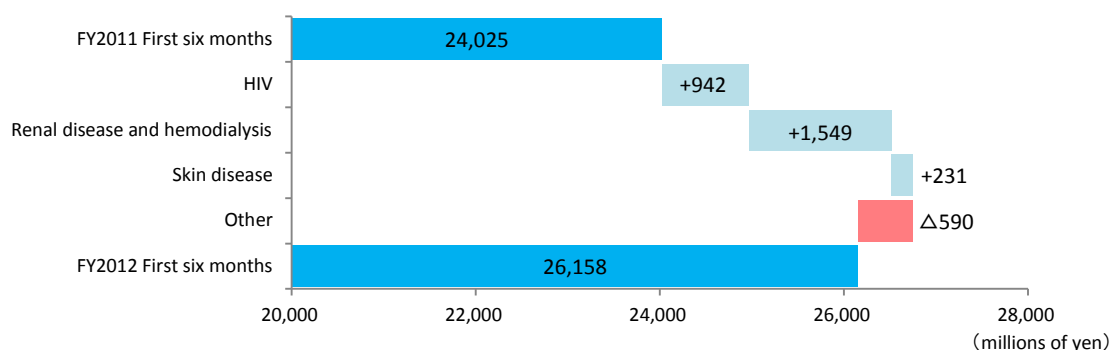
※ For details, please refer to page 4.

### (Reference) Ratio to net sales

(%)	FY2011	FY2012	Change B-A
	First six months A	First six months B	
Cost of sales	41.4	42.8	1.4
SG&A	52.1	49.2	△2.9
R&D expenses	11.5	14.1	2.6
Operating income	6.5	8.0	1.5
Ordinary income	6.9	8.6	1.7
Net income	4.0	4.9	0.9

**[Factors in increase/decrease compared with the same term of the last fiscal year]**

**Net Sales (¥ 26,158 million : Increase ¥ 2,132 million year-on-year)**

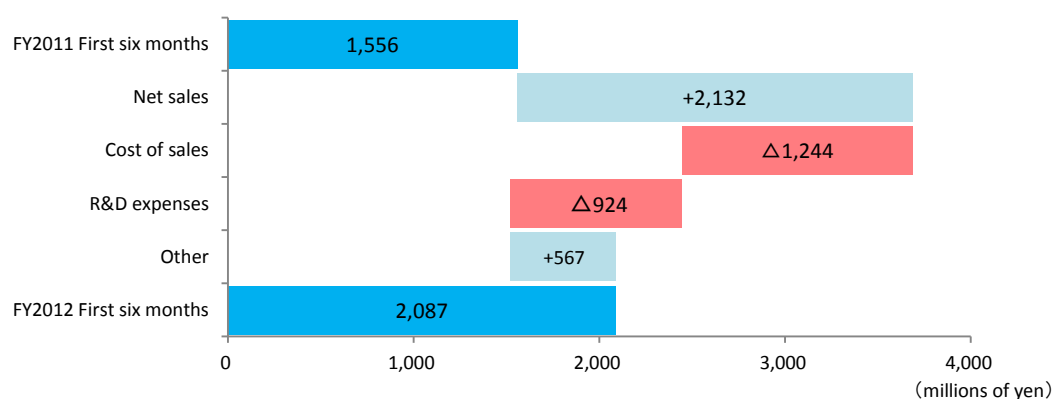


**Major factors in increase/decrease**

HIV : Truvada Increase ¥ 946million  
 Renal disease : REMITCH Increase ¥ 1,276million  
 and hemodialysis KAYEXALATE Increase ¥ 272million

※For details, please refer to "② Sales of Products and Priority Categories" in page 4.

**Operating income (¥ 2,087 million : Decrease ¥ 531 million year-on-year)**



**Major factors in increase/decrease**

Cost of sales : Increase in net sales  
 R&D expenses : Increase in clinical test expenses (TO-203)  
 Other : Decrease in supplies expenses and sales promotion expenses

**Ordinary income (¥ 2,239million : Increase ¥ 587 million year-on-year)**

Special remarks: None

**Net income (¥ 1,283 million : Increase ¥ 324 million year-on-year)**

Special remarks: None

② Sales of Products and Priority Categories

a.Sales of Products

<i>(Millions of Yen)</i>	FY2011	FY2012	Change	Change (%) (B-A)/A
	First six months	First six months		
	A	B		
Sales of Products	23,911	26,044	2,133	8.9
REMITCH Oral anti-pruritus agent	4,619	5,896	1,276	27.6
Truvada Antiviral agent for HIV	4,724	5,671	946	20.0
ANTEBATE ※ Topical corticosteroid	3,291	3,403	112	3.4
FUTHAN ※ Protease inhibitor	2,586	2,241	△344	△13.3
URINORM ※ Uricosuric agent	1,648	1,443	△205	△12.4
Dovonex Topical agent for psoriasis vulgaris	908	966	58	6.4
KAYEXALATE ※ Agent for hyperkalemia	685	957	272	39.8
ZEFNART Topical antifungal agent	872	930	57	6.6
BIO-THREE Viable bacterial preparations	821	900	78	9.6
LOCOID ※ Topical corticosteroid	690	694	4	0.6
Magsent Tocolysis in threatened premature labor	590	636	45	7.8
Other	2,471	2,302	△169	△6.8

※ In-house Products

b.Sales of Priority Categories

<i>(Millions of Yen)</i>	FY2011	FY2012	Change	Change (%) (B-A)/A
	First six months	First six months		
	A	B		
Sales of Products	23,911	26,044	2,133	8.9
HIV (Truvada, Other anti-HIV drugs)	4,981	5,923	942	18.9
Renal disease and hemodialysis (REMITCH, KAYEXALATE)	5,304	6,854	1,549	29.2
Skin disease (ANTEBATE, Dovonex, ZEFNART, LOCOID)	5,763	5,995	231	4.0
Other (FUTHAN, URINORM, BIO-THREE, Magsent, Other)	7,861	7,271	△590	△7.5

(References) Sales of in-house products and ratio of in-house products sales

<i>(Millions of Yen)</i>	FY2011	FY2012	Change	Change (%) (B-A)/A
	First six months	First six months		
	A	B		
Sales of in-house products	9,901	9,739	△161	△1.6
Ratio of in-house product sales (%)	41.4	37.4	△4.0	-

### ③ Non-consolidated Balance Sheet

<i>(Millions of Yen)</i>	March 31, 2012 A	September 30,2012 B	Change B-A	Change (%) (B-A)/A	Component ratio (%) (Sep 30,2012)
Current assets	70,352	69,050	△1,301	△1.8	76.8
Cash and deposits	25,106	23,742	△1,363		
Deposits in the cash management system ※	6,276	6,349	73		
Notes and accounts receivable- trade	19,580	19,954	373		
Short-term investment securities	11,200	11,508	308		
Inventories	6,342	5,657	△684		
Other	1,846	1,837	△8		
Noncurrent assets	17,382	20,820	3,438	19.8	23.2
Property, plant and equipment	5,297	5,762	464		
Intangible assets	704	695	△9		
Investments and other assets	11,380	14,363	2,982		
Investment securities	6,392	5,790	△601		
Long-term prepaid expenses	2,750	6,206	3,455		
Other	2,238	2,366	128		
<b>Total assets</b>	<b>87,734</b>	<b>89,871</b>	<b>2,136</b>	<b>2.4</b>	<b>100.0</b>
Current liabilities	11,231	12,714	1,483	13.2	14.1
Accounts payable-trade	4,717	4,761	44		
Accounts payable-other	2,447	5,032	2,584		
Income taxes payable	1,706	962	△743		
Accrued employees' bonuses	1,156	1,206	49		
Other	1,202	751	△450		
Long-term liabilities	670	587	△83	△12.5	0.7
<b>Total liabilities</b>	<b>11,902</b>	<b>13,301</b>	<b>1,399</b>	<b>11.8</b>	<b>14.8</b>
Shareholders' equity	75,624	76,342	717	0.9	84.9
Unrealized gain on available-for-sale securities	208	227	19	9.4	0.3
<b>Total equity</b>	<b>75,832</b>	<b>76,569</b>	<b>737</b>	<b>1.0</b>	<b>85.2</b>
<b>Total liabilities and equity</b>	<b>87,734</b>	<b>89,871</b>	<b>2,136</b>	<b>2.4</b>	<b>100.0</b>

※ "Deposits in the cash management system (CMS)" is fund deposited at Japan Tobacco Inc. which controls the CMS of the JT group companies in Japan.

<u>Major factors in increase/decrease</u>	
(Current assets)	
Notes and accounts receivable-trade	: Increase by increase in sales
Short-term investment securities	: Increase by transfer from investment securities and decrease by redemption of debt securities
Inventories	: Decrease in inventories of products
(Noncurrent assets)	
PP&E	: Increase by investment in manufacturing facilities
Investment securities	: Decrease by transfer to short-term investment securities and increase by acquisition of debt securities
Long-term prepaid expenses	: Increase mainly by acquisition of distribution rights for a novel anti-HIV drug
(Current liabilities)	
Accounts payable-other	: Increase by acquisition of distribution rights for a novel anti-HIV drug
Income taxes payable	: Decrease by payment of income taxes
(Equity)	
Shareholders' equity	: Increase in net income and decrease by payment of dividends

## ⑤ Capital Expenditures

(Millions of Yen)	FY2011	FY2012	Change B-A	Change (%) (B-A)/A
	First six months	First six months		
	A	B		
Capital expenditure	356	981	624	175.2
PP&E	281	892	611	217.1
Intangible assets	75	88	13	18.4

### Descriptions of capital expenditures

PP&E : Investment mainly in manufacturing facilities  
 Intangible assets : Investment mainly in software such as a sales support system, aiming to streamline operations

## ⑥ Depreciation/Amortization

(Millions of Yen)	FY2011	FY2012	Change B-A	Change (%) (B-A)/A
	First six months	First six months		
	A	B		
Depreciation	584	504	△80	△13.7
Amortization of long-term pre-paid expense	333	295	△37	△11.4

## ⑦ Research and Development

Development code	Indication	Formulation/ Route of administration	Development stage (domestic)					Remarks
			Phase I	Phase II	Phase III	Application	Approval	
Renal disease and hemodialysis								
JTT-751	Hyperphosphatemia	Oral			Phase III ※			<ul style="list-style-type: none"> <li>•Licensing Agreement with Keryx for Development and Commercialization of Hyper-phosphatemia Drug in Japan</li> <li>•Co-development with JT</li> </ul>
Allergens								
TO-194SL	Japanese cedar pollinosis (Immunotherapy)	Sublingual liquid			Phase III ※			•In-house
TO-203	House dust mite induced allergic asthma and rhinitis (Immunotherapy)	Sublingual tablet			Phase II / III			<ul style="list-style-type: none"> <li>•Licensing agreement signed with ALK providing exclusive development and sales rights for Japan</li> <li>•In-house</li> </ul>
TO-204	House dust mite induced allergic asthma and rhinitis (Immunotherapy)	Injection			Phase III			<ul style="list-style-type: none"> <li>•Licensing agreement signed with ALK providing exclusive development and sales rights for Japan</li> <li>•In-house</li> </ul>

※ NDA filing is planned for JTT-751 and TO-194SL by the end of FY2012.

④ Non-consolidated Statement of Cash Flows

(Millions of Yen)	FY2011	FY2012	Change	Change (%) (B-A)/A
	First six months	First six months		
	A	B		
Income before income taxes	1,604	2,211	606	
Depreciation and amortization	584	504	△80	
Decrease (Increase) in trade notes and accounts receivable-trade	△651	△373	277	
Decrease (Increase) in inventories	△722	684	1,406	
Increase (Decrease) in trade notes and accounts payable-trade	760	44	△716	
Increase (Decrease) in accounts payable-other	△9	2,487	2,497	
Decrease (Increase) in long-term prepaid expenses	97	△3,455	△3,553	
Income taxes paid	△1,011	△1,660	△649	
Other-net	△289	△599	△309	
Net cash provided by (used in) operating activities	361	△157	△518	△143.6
Purchases of property, plant and equipment	△225	△782	△556	
Purchases of intangible assets	△101	△99	1	
Other-net	1,989	1,323	△665	
Net cash provided by (used in) investing activities	1,662	442	△1,220	△73.4
Net cash provided by (used in) financing activities	△578	△574	4	△0.7
Effect of exchange rate changes on cash and cash equivalents	△22	—	22	△100.0
Net increase (Decrease) in cash and cash equivalents	1,422	△289	△1,712	△120.4
Cash and cash equivalents, beginning of period	12,344	17,382	5,038	40.8
Cash and cash equivalents, end of period	13,767	17,092	3,325	24.2

※ Cash and cash equivalents consist of cash on hand and in banks without time deposits with maturities more than three months, deposits in the cash management system and marketable securities of which the period from the date of acquisition to the date of redemption is not more than three months.

Major factors in increase/decrease

(Operating activities)

Increase (Decrease) in accounts payable-other : Increase by acquisition of distribution right for a novel anti-HIV drug  
Decrease (Increase) in long-term prepaid expenses : Increase mainly by acquisition of distribution right for a novel anti-HIV drug

(Investing activities)

Purchases of property, plant and equipment : Increase by investment in manufacturing facilities



### III Financial Forecasts for the FY2012

#### ① Non-consolidated Statement of Income

(Millions of Yen)	FY2012 Full year	FY2012 Full year	Change	FY2011	Change	Change (%)
	previous forecast	revised forecast		Full year		
	A	B	B-A	C	B-C	(B-C)/C
Net sales	51,900	52,600	700	48,717	3,882	8.0
Sales of products ※	51,680	52,380	700	48,489	3,890	8.0
HIV	12,230	12,240	10	10,474	1,765	16.9
Renal disease and hemodialysis	13,800	14,360	560	11,276	3,083	27.3
Skin disease	11,360	11,330	△30	11,139	190	1.7
Other	14,290	14,450	160	15,599	△1,149	△7.4
Rent income of real estate	220	220	0	228	△8	△3.7
Cost of sales	22,700	23,000	300	20,539	2,460	12.0
Gross profit	29,200	29,600	400	28,178	1,421	5.0
SG&A	27,100	27,100	0	24,024	3,075	12.8
R&D expenses	7,957	8,010	53	4,631	3,378	72.9
Other	19,143	19,090	△53	19,392	△302	△1.6
Operating income	2,100	2,500	400	4,153	△1,653	△39.8
Ordinary income	2,200	2,700	500	4,338	△1,638	△37.8
Net income	1,200	1,500	300	2,611	△1,111	△42.6

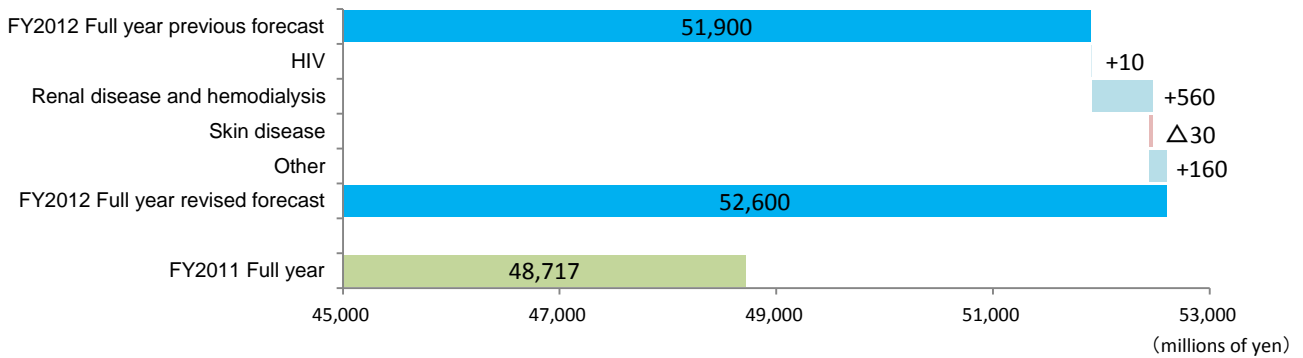
※ For details, please refer to page 10.

#### (Reference) Ratio to net sales

(%)	FY2012 Full year	FY2012 Full year	Change	FY2011	Change
	previous forecast	revised forecast		Full year	
	A	B	B-A	C	B-C
Cost of sales	43.7	43.7	0.0	42.2	1.5
SG&A	52.3	51.5	△0.8	49.3	2.2
R&D expenses	15.3	15.2	△0.1	9.5	5.7
Operating income	4.0	4.8	0.8	8.5	△3.7
Ordinary income	4.2	5.1	0.9	8.9	△3.8
Net income	2.3	2.9	0.6	5.4	△2.5

**[Factors in increase/decrease compared with the previous forecast for the FY2012]**

**Net Sales ( ¥ 52,600 million : Increase ¥ 700 million)**

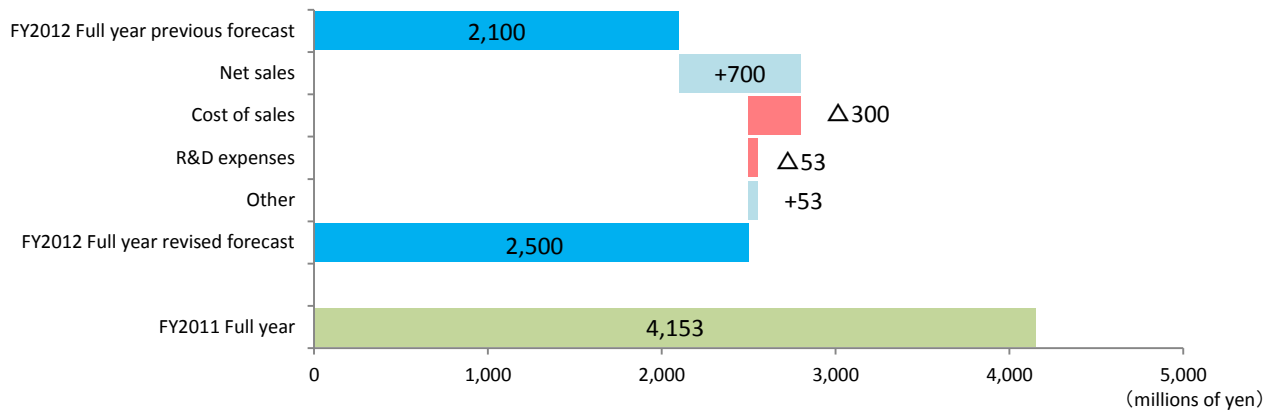


Major factors in increase/decrease

Renal disease	: REMITCH	Increase ¥ 490million
and hemodialysis	KAYEXALATE	Increase ¥ 70million
Other	: FUTHAN	Increase ¥ 130million

※For details, please refer to "② Sales of Products and Priority Categories" in page 10.

**Operating income ( ¥ 2,500 million : Increase ¥ 400 million)**



Major factors in increase/decrease

None

**Ordinary income ( ¥ 2,700 million : Increase ¥ 500 million)**

Special remarks: None

**Net Income ( ¥ 1,500 million : Increase ¥ 300 million)**

Special remarks: None

## ② Sales of Products and Priority Categories

### a.Sales of Products

(Millions of Yen)	FY2012 Full year	FY2012 Full year	Change	FY2011	Change	Change (%)
	previous forecast	revised forecast		Full year		
	A	B	B-A	C	B-C	(B-C)/C
Sales of Products	51,680	52,380	700	48,489	3,890	8.0
REMITCH Oral anti-pruritus agent	11,710	12,200	490	9,735	2,464	25.3
Truvada Antiviral agent for HIV	11,790	11,790	0	9,945	1,844	18.5
ANTEBATE ※ Topical corticosteroid	6,780	6,690	△90	6,584	105	1.6
FUTHAN ※ Protease inhibitor	4,320	4,450	130	5,131	△681	△13.3
URINORM ※ Uricosuric agent	2,810	2,830	20	3,238	△408	△12.6
KAYEXALATE ※ Agent for hyperkalemia	2,090	2,160	70	1,540	619	40.2
Dovonex Topical agent for psoriasis vulgaris	1,790	1,910	120	1,808	101	5.6
BIO-THREE Viable bacterial preparations	1,870	1,840	△30	1,712	127	7.4
ZEFNART Topical antifungal agent	1,440	1,420	△20	1,403	16	1.2
LOCOID ※ Topical corticosteroid	1,350	1,310	△40	1,344	△34	△2.6
Magsent Tocolysis in threatened premature labor	1,310	1,290	△20	1,188	101	8.6
Other	4,420	4,490	70	4,857	△367	△7.6

※ In-house Products

### b.Sales of Priority Categories

(Millions of Yen)	FY2012 Full year	FY2012 Full year	Change	FY2011	Change	Change (%)
	previous forecast	revised forecast		Full year		
	A	B	B-A	C	B-C	(B-C)/C
Sales of Products	51,680	52,380	700	48,489	3,890	8.0
HIV (Truvada, Other anti-HIV drugs)	12,230	12,240	10	10,474	1,765	16.9
Renal disease and hemodialysis (REMITCH, KAYEXALATE)	13,800	14,360	560	11,276	3,083	27.3
Skin disease (ANTEBATE, Dovonex, ZEFNART, LOCOID)	11,360	11,330	△30	11,139	190	1.7
Other (FUTHAN, URINORM, BIO-THREE, Magsent, Other)	14,290	14,450	160	15,599	△1,149	△7.4

### (References) Sales of in-house products and ratio of in-house product sales

(Millions of Yen)	FY2012 Full year	FY2012 Full year	Change	FY2011	Change	Change (%)
	previous forecast	revised forecast		Full year		
	A	B	B-A	C	B-C	(B-C)/C
Sales of in-house products	19,540	19,560	20	19,856	△296	△1.5
Ratio of in-house product sales (%)	37.8	37.3	△0.5	41.0	△3.7	—

### ③ Capital Expenditures

(Millions of Yen)	FY2012 Full year	FY2012 Full year	Change	FY2011	Change	Change
	previous forecast	revised forecast		Full year		
	A	B	B-A	C	B-C	(B-C)/C
Capital expenditure	1,262	1,422	160	849	572	67.3
PP&E	1,105	1,262	157	613	648	105.9
Intangible assets	157	160	3	236	△76	△32.4

#### Content of capital expenditure

- PP&E : Investment mainly in manufacturing facilities  
 Intangible assets : Investment mainly in software such as a sales support system, aiming to streamline operations

### ④ Depreciation/Amortization

(Millions of Yen)	FY2012 Full year	FY2012 Full year	Change	FY2011	Change	Change
	previous forecast	revised forecast		Full year		
	A	B	B-A	C	B-C	(B-C)/C
Depreciation	1,060	1,061	1	1,194	△133	△11.2

### ⑤ Dividends

		FY2012 Full year	FY2012 Full year	Change	FY2011	Change	Change
		previous forecast	revised forecast		(%)		
		A	B	B-A	C	B-C	(B-C)/C
Dividends per share ※	(¥)	40	40	0	40	0	0.0
Dividends payout ratio	(%)	94.3	75.5	△18.8	43.4	32.1	—

※ On October 29, 2012, the Board of Directors resolved to pay an interim dividend of 20 yen per share for the FY2012.

### [Important notes on forward-looking statement]

The forecasts presented in this material are forward-looking statements. Reflecting assumptions based on information available on the date of publication, these statements are subject to inherent risks and uncertainties. Accordingly, unforeseen factors may cause actual results to differ materially from the projections contained herein.

Torii will not necessarily revise this material regardless of any new information, future events or other results. At the present moment, the following matters may be pointed out as risks or uncertain factors that could affect the Company's future results (but such risks or uncertain factors are not limited to these):

- ◇Changes in Pharmaceutical Affairs Law, Other Acts or Regulations
- ◇Drug Price Adjustments
- ◇Adverse Drug Reactions
- ◇Delay or Discontinuance of Research and Development
- ◇Stoppage of Product Supply
- ◇Litigation Risk